

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
LUTCHER, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 2012

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date OCT 17 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 6
Statements of Net Assets, March 31, 2012 and 2011	7
Statements of Revenues, Expenses, and Changes in Net Assets Years Ended March 31, 2012 and 2011	8
Statements of Cash Flows, Years Ended March 31, 2012 and 2011	9 - 10
Notes to Financial Statements	11 - 22
<u>Supplemental Information</u>	
Schedules of Net Patient Service Revenues, Years Ended March 31, 2012 and 2011	Schedule I 23
<u>Additional Reports</u>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Audit Findings	27



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
St. James Parish Hospital Service District
Lutcher, Louisiana

We have audited the accompanying statements of net assets of the St. James Parish Hospital Service District (the Hospital) a component unit of the St. James Parish Council, as of March 31, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets and statements of cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. James Parish Hospital Service District as of March 31, 2012 and 2011, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2012, on our consideration of the St. James Parish Hospital Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. James Parish Hospital Service District's financial statements as a whole. The supplemental schedule on page 23 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Gonzales, Louisiana

August 17, 2012

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2012

Management's Discussion and Analysis of St. James Parish Hospital (Hospital's) financial performance provides important background information and management's analysis of the Hospital's financial performance during the fiscal year that ended March 31, 2012. Please read it in conjunction with the Hospital's financial statements in this report.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about the Hospital's activities.

The statements of net assets include all of the hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures changes in the Hospital's operations over the past year and can be used to determine whether the Hospital has been able to recover all of its costs through its net patient service revenue and other revenue sources.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash from operating, investing, and financing activities and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheet and the statements of revenue, expenses and change in net assets report information about the Hospital's activities. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

FINANCIAL HIGHLIGHTS

- The Hospital had \$7,853,747 in cash and cash equivalents at March 31, 2012, a \$2,974,817 increase from prior year. The Hospital had a net increase in capital assets during the fiscal year ended March 31, 2012 of \$2,405,841 or 12%. The increase in capital assets is a result of Construction in Process for the expansion projects. The Hospital's long term debt including current portion increased \$1,741,876 or 10%. The increase in long term debt is related to the expansion projects for the Hospital.
- The Hospital's total operating revenues increased by \$1,471,493 or 8% over the prior year. Total operating expenses increased by \$762,152 or 4%. The Hospital generated net operating income during fiscal year 2012 of \$1,417,134.
- Property tax revenue is reported as non-operating revenue due to GASB requirements although it is used for operating purposes. This millage is very important to the financial position of the hospital. The Hospital recognized \$1,901,203 in revenue during fiscal year 2012 that was related to the current 4.75 millage.
- The Hospital generated net income for the year of \$3,167,356. This was a \$1,004,660 or 46% increase over the prior year.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2012

FINANCIAL HIGHLIGHTS (continued)

- The Hospital received \$768,468 of grants and donations during the year. Approximately \$390,579 was received from Medicaid HIT grants and \$428,162 from Disproportionate Share Backfill Upper Payment Limit.

STATEMENTS OF NET ASSETS

The Hospital's condensed statements of net assets are presented below. Some significant components of the change in the Hospital's net assets are the increase in restricted assets, increase in capital assets, and the increase in long term debt.

Restricted assets increased by \$188,618 or 2%. The Board approved investing excess cash in accounts that would be internally restricted to be used for funded depreciation.

The Hospital had a net increase in capital assets during the fiscal year 2012 of \$2,405,841 or 12%. This was related to the construction in progress related to the Medical Office Building and Hospital expansion.

Long-term debt including current portion increased by \$1,741,876 or 10%. This was related to Limited Tax Certificates, Series 2011 and principal payment on existing debt.

Assets, Liabilities, and Net Assets

	<u>2012</u>	<u>2011</u>
Current assets	\$ 11,980,875	\$ 8,438,454
Restricted assets	10,682,858	10,494,240
Capital assets, net	22,581,830	20,175,989
Total assets	<u>\$ 45,245,563</u>	<u>\$ 39,108,683</u>
 Current and other liabilities	 \$ 4,280,125	 \$ 2,733,387
Long-term debt	19,108,353	17,685,567
Total liabilities	<u>\$ 23,388,478</u>	<u>\$ 20,418,954</u>
 Net assets		
Investment in capital assets, net of related debt	\$ 2,695,074	\$ 2,031,109
Restricted	10,676,724	10,524,584
Unrestricted	8,485,287	6,134,036
Total net assets	<u>\$ 21,857,085</u>	<u>\$ 18,689,729</u>
Total liabilities and net assets	<u>\$ 45,245,563</u>	<u>\$ 39,108,683</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2012

STATEMENTS OF REVENUE AND EXPENSES

A summary of the Hospital's revenues and expenses for fiscal years 2012 and 2011 is presented below

The Hospital reported an increase in net patient service revenue increased by \$1,910,226 or 11% over the past year. Approximately 64% of this increase is due to a \$682,157 reimbursement for Physician Upper Payment Limit. The provision for bad debt decreased by \$243,000 or 7% from the prior year. Bad debt as a percent of gross revenue for fiscal year 2012 was 9% which is consistent with fiscal year 2011 which was 10%.

Other operating revenues decreased by \$438,733 from the past year. This decrease was due to the gain on the disposition of assets in the prior year.

The Hospital reported an increase in operating expenses of \$762,152 or 4% from the past year. Increases in salary and benefit cost for hospital's employees was \$1,015,682 or 12%.

Change in net assets increased by \$1,004,660 or 46% over the past year.

	<u>2012</u>	<u>2011</u>
Operating Revenues:		
Net patient service revenues	\$ 19,344,320	\$ 17,434,094
Other operating revenues	138,613	577,346
Total operating revenues	<u>19,482,933</u>	<u>18,011,440</u>
Operating Expenses:		
Salaries and benefits	9,324,386	8,308,704
Medical supplies and drugs	1,203,164	1,128,285
Depreciation and amortization	1,635,132	1,745,103
Other operating expenses	5,903,117	6,121,555
Total operating expenses	<u>18,065,799</u>	<u>17,303,647</u>
Operating income	<u>1,417,134</u>	<u>707,793</u>
Nonoperating Revenues and Expenses:		
Property taxes	1,901,203	1,777,378
Investment income	125,151	66,569
Other non operating revenue and expenses, net	(276,132)	(389,044)
Total nonoperating revenues (expenses)	<u>1,750,222</u>	<u>1,454,903</u>
Change in net assets	<u>3,167,356</u>	<u>2,162,696</u>
Net assets beginning of year	<u>\$ 18,689,729</u>	<u>\$ 16,527,033</u>
Net assets end of year	<u>\$ 21,857,085</u>	<u>\$ 18,689,729</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2012

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the Hospital had invested \$22,581,830 in capital assets, net of accumulated depreciation. The Hospital acquired capital assets costing \$4,040,973, of which \$482,614 was acquired in the current fiscal year. The other \$3,558,359 was attributed to construction in progress that was for building improvements and various pieces of equipment.

Debt

At year end the Hospital had \$66,331 in capital lease obligations outstanding that were acquired on March 11, 2008 to purchase a CT scanner.

At the end of the year, the Hospital had \$17,286,487 in outstanding bonded debt. The bonds were issued totaling \$18,000,000 on July 2, 2008 for the purpose of payment of a replacement hospital building. Debt in the amount of \$800,000 was borrowed on June 17, 2009 as a note payable to the Parish Government for the purpose of improving the hospital. At year end, the Hospital had \$332,702 on the outstanding debt. Debt in the amount of \$2,500,000 was borrowed on May 17, 2011 as a note payable to the Parish Government for the purpose of improving the hospital. At year end, the Hospital had \$2,201,236 on the outstanding debt.

ECONOMIC FACTORS

The St. James Parish Hospital's appointed officials considered the following factors and indicators when setting the budget for the fiscal year ending March 31, 2013:

- Fiscal Year 2013 revenues were projected to increase by 1 % for outpatient and decrease 4% for inpatient
- Rate increase of 5%
- Other operating revenues are projected to increase 33% due to the leases at the Medical Office Building
- Salaries are estimated to reflect new positions in shortage areas, market rate adjustments and patient service volumes.
- Operating expenses are estimated based on historical relationships to patient service volumes, where possible, and historic usage rates.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

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St. James Parish Hospital
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ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana
STATEMENTS OF NET ASSETS
MARCH 31, 2012 AND 2011

<u>ASSETS</u>			
		<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 7,853,747	\$ 4,878,930
Patent accounts receivable, (net of estimated uncollectibles of \$2,809,440 in 2012 and \$2,952,986 in 2011)		2,576,201	1,890,799
Inventory		319,911	316,578
Taxes receivable		451,821	470,299
Other current assets		779,195	881,848
Total current assets		<u>11,980,875</u>	<u>8,438,454</u>
<u>RESTRICTED ASSETS</u>			
Held by trustee for debt service		1,154,121	1,035,184
Restricted for capital acquisitions		9,528,737	9,459,056
Total restricted assets		<u>10,682,858</u>	<u>10,494,240</u>
<u>PROPERTY AND EQUIPMENT</u> - net		<u>22,581,830</u>	<u>20,175,989</u>
TOTAL ASSETS		<u>\$ 45,245,563</u>	<u>\$ 39,108,683</u>
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 823,411	\$ 258,362
Estimated third-party payor settlements		1,136,448	753,897
Current maturities of long-term debt		778,403	459,313
Accrued expenses		1,541,863	1,261,815
Total current liabilities		<u>4,280,125</u>	<u>2,733,387</u>
<u>LONG TERM DEBT</u> - net of current maturities		<u>19,108,353</u>	<u>17,685,567</u>
Total liabilities		<u>23,388,478</u>	<u>20,418,954</u>
<u>NET ASSETS</u>			
Invested in capital assets		2,695,074	2,031,109
Restricted for			
Debt service		1,154,121	1,035,184
Capital acquisitions		9,522,603	9,489,400
Unrestricted		8,485,287	6,134,036
Total net assets		<u>21,857,085</u>	<u>18,689,729</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 45,245,563</u>	<u>\$ 39,108,683</u>

The accompanying notes are an integral part of these statements

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>OPERATING REVENUES</u>		
Net patient service revenues (net of provision for bad debts of \$3,045,309 in 2012 and \$3,288,309 in 2011)	\$ 19,344,320	\$ 17,434,094
Gain on sale of assets	-	471,708
Other operating revenues	138,613	105,638
Total operating revenues	<u>19,482,933</u>	<u>18,011,440</u>
<u>OPERATING EXPENSES</u>		
Salaries and benefits	9,324,386	8,308,704
Professional contracted services	3,748,390	3,915,488
Medical supplies and drugs	1,203,164	1,128,285
Rents, lease, and maintenance contracts	830,887	887,737
Telephone and utilities	450,064	479,395
Insurance	276,984	253,755
Other operating	596,792	585,180
Provision for depreciation	1,635,132	1,745,103
Total operating expenses	<u>18,065,799</u>	<u>17,303,647</u>
<u>INCOME FROM OPERATIONS</u>	<u>1,417,134</u>	<u>707,793</u>
<u>NON OPERATING REVENUES (EXPENSES)</u>		
Property taxes	1,901,203	1,777,378
Investment income	125,151	66,569
Grants and donations	768,468	592,603
Interest expense	(1,044,600)	(981,647)
Total non operating revenues (expenses)	<u>1,750,222</u>	<u>1,454,903</u>
<u>CHANGE IN NET ASSETS</u>	3,167,356	2,162,696
<u>NET ASSETS BEGINNING OF YEAR</u>	<u>18,689,729</u>	<u>16,527,033</u>
<u>NET ASSETS END OF YEAR</u>	<u>\$ 21,857,085</u>	<u>\$ 18,689,729</u>

The accompanying notes are an integral part of these statements.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from and on behalf of patients	\$ 19,040,531	\$ 17,269,095
Payments to suppliers and contractors	(7,761,761)	(9,302,376)
Payments to employees	(7,587,087)	(6,588,572)
Net cash provided by operating activities	<u>3,691,683</u>	<u>1,378,147</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Property taxes	1,919,681	1,789,448
Noncapital grants and contributions	768,468	592,593
Net cash provided by noncapital financing activities	<u>2,688,149</u>	<u>2,382,041</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Long term borrowings	2,500,000	-
Principal paid on debt	(758,124)	(437,521)
Interest paid on long term debt	(1,039,000)	(990,050)
Proceeds from sale of assets	-	239,950
Purchase of capital assets	(4,040,973)	(1,026,309)
Net cash used in capital and related financing activities	<u>(3,338,097)</u>	<u>(2,213,930)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(10,602,720)	(12,347,433)
Proceeds from sale or maturity of investments	10,414,102	8,738,090
Interest on investments	121,700	40,242
Net cash used in investing activities	<u>(66,918)</u>	<u>(3,569,101)</u>
Net increase (decrease) in cash	2,974,817	(2,022,843)
Cash at beginning of year	<u>4,878,930</u>	<u>6,901,773</u>
Cash at end of year	<u><u>\$ 7,853,747</u></u>	<u><u>\$ 4,878,930</u></u>

The accompanying notes are an integral part of these statements

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Lutcher, Louisiana

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Income from operations	\$ 1,417,134	\$ 707,793
Adjustments to reconcile income from operations to net cash provided by operating activities		
Depreciation	1,635,132	1,745,103
Gain on sale of assets	-	(471,708)
Provision for bad debts	3,045,309	3,288,309
Changes in assets and liabilities		
Patient accounts receivable	(3,730,711)	(3,473,167)
Inventory	(3,333)	(77,784)
Other current assets	106,104	(194,851)
Estimated third-party payor settlements	382,551	(12,880)
Accounts payable	565,049	(162,335)
Accrued expenses	274,448	29,667
Total adjustments	<u>2,274,549</u>	<u>670,354</u>
Net cash provided by operating activities	<u>\$ 3,691,683</u>	<u>\$ 1,378,147</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

The Hospital held investments at March 31, 2012 with a fair value of \$9,523,515
During 2012, the net increase in the fair value of these investments was \$6,134.

The accompanying notes are an integral part of these statements

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

The St James Parish Hospital Service District of St James Parish, Louisiana, d/b/a St James Parish Hospital (the Hospital), is an acute care hospital. Effective August 1, 2001, the Hospital met the Medicare participation requirements to be classified as a critical access hospital. The Hospital was created by the St. James Parish Police Jury and is a political subdivision of the St James Parish Council/Police Jury. The St James Parish Council approves all tax elections. The Hospital Service District is a component unit of the St James Parish Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

Enterprise fund accounting

The Hospital uses enterprise fund accounting. Revenue and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Cash

Cash consists of cash on hand and in bank accounts, and also certificates of deposit, with maturity dates at acquisition that are less than 90 days, plus accrued interest.

Inventory

Inventories are stated at the lower of cost or market using an average cost method.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies** (continued)

Patient Accounts Receivable

Patient accounts receivable are reported at their outstanding unpaid balance adjusted for any write-offs and the allowance for doubtful accounts. Interest income is not accrued on any unpaid balances.

Accounts are considered past due at the time that the balance is 30 days delinquent. Accounts are written off when no payment has been received on the account for 120 days.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of an account is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the accounts in light of historical experience, the nature and volume of the accounts, and the agreements with the respective third-party payors.

Capital assets

Capital assets additions are recorded at cost. Depreciation is computed using the straight-line method with useful lives of the property ranging from 3 to 40 years. Maintenance, repairs, replacement, and improvements of minor importance are expensed. Major replacements and improvements are capitalized. Interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Property taxes

The Hospital receives a 4.75 mills property tax which is levied January 1 each year, payable by December 31 of that year. The Hospital records the expected revenues to be received based on factors such as previous years collections to assessments and the estimated taxable assessed value for the current year. Adjustments are made upon final receipts. The tax is in effect through December 31, 2016.

Grants

Revenues from grants are recognized when all eligibility requirements are met.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Operating revenues and expenses

Operating revenues result from exchange transactions associated with providing health care services. Non-exchange revenues include property taxes, grants, and investment revenues are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Compensated absences

The Hospital's employees earn paid time off and extended illness bank at varying rates depending on years of service. Employees may accumulate paid time off, and be paid if they leave before they exhaust this accumulation. Employees may accumulate extended illness bank but are not paid for accumulated extended illness bank.

Net assets

Net assets of the Hospital are classified in components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net assets for debt service must be used for debt service. Restricted for capital acquisitions and pending litigation are capital related net assets that must be used for a specific purpose, as specified by the Hospital. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Risk management

The Hospital is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, medical malpractice, and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Investments in debt and equity securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased for one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies (continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Records of charges foregone for services and supplies furnished under the charity care policy are maintained to identify and monitor the level of charity care provided.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

2 Net Patient Service Revenue

The Hospital has agreed with third-party payors that provide for payments to the Hospital at amounts different from established rates. A summary of the payment arrangements with major third party payors follows:

Medicare – Since obtaining critical access designation, inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under a cost reimbursement methodology. Prior to August 1, 2001, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient and outpatient services rendered to Medicare program beneficiaries are reimbursed under cost based methodologies and fee schedules. The Hospital is reimbursed by the Medicare fiscal intermediary at a tentative interim rate with final settlement determined with the submission of annual cost reports and audits. The Hospital's Medicare cost reports have been filed with the Medicare fiscal intermediary through March 31, 2012. Desk reviews have been performed on reports issued through March 31, 2010.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been filed with the fiscal intermediary through March 31, 2012. A desk review has been performed on Medicaid reports issued through March 31, 2009.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates, and Medicare fee schedules.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

2 Net Patient Service Revenue (continued)

The Hospital is located in Lutcher, Louisiana and grants credit without personal collateral to its patients and their insurance companies, most of whom are residents in the area. The mix of patient service revenues are as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Medicare	33%	33%
Medicaid	17	16
Commercial insurance	39	39
Self pay	11	12
	<u>100%</u>	<u>100%</u>

3 Patient Accounts Receivable

Patient accounts receivable consist of the following

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Receivable from patients and their insurance carriers	\$ 3,056,527	\$ 3,068,182
Receivable from Medicare	1,678,057	1,480,399
Receivable from Medicaid	<u>651,057</u>	<u>295,204</u>
Total patient accounts receivable	5,385,641	4,843,785
Less allowance for doubtful accounts	<u>2,809,440</u>	<u>2,952,986</u>
<u>Patient accounts receivable, net</u>	<u>\$ 2,576,201</u>	<u>\$ 1,890,799</u>

The Hospital provides for bad debts using formulas supporting collectability of related patient groupings. When accounts are charged off they are removed from the related asset account and the allowance for bad debt account.

4 Deposits and Investments

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law and be insured or collateralized by U S government securities held by the pledging financial institution's trust department in the name of the Hospital.

Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk at March 31, 2012. None of the Hospital's bank balances were exposed to custodial credit risk.

The Hospital's investments generally are reported at fair value, as discussed in Note 1. At March 31, 2012 and 2011, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

4 Deposits and Investments (continued)

Investment Maturities (in Years)					
<u>March 31, 2012</u>					
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U S Agencies	\$ 2,421,372	\$ 5,222	\$ 2,030,796	\$ 385,354	\$ -
Certificate of deposits	7,107,365	3,000,000	4,107,365	-	-
	<u>\$ 9,528,737</u>	<u>\$ 3,005,222</u>	<u>\$ 6,138,161</u>	<u>\$ 385,354</u>	<u>\$ -</u>
<u>March 31, 2011</u>					
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
U S Agencies	\$ 2,351,691	\$ 13,804	\$ 1,667,853	\$ 338,916	\$ 331,118
Certificate of deposits	7,107,365	7,107,365	-	-	-
	<u>\$ 9,459,056</u>	<u>\$ 7,121,169</u>	<u>\$ 1,667,853</u>	<u>\$ 338,916</u>	<u>\$ 331,118</u>

Interest Rate Risk- The Hospital's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates

Credit Risk- Under Louisiana R S 33 2955, as amended, the Hospital may invest in obligations of the U S. Treasury, U S Agencies and instrumentalities, repurchase agreements, certificates of deposits, and other investments as provided in the statute. The Hospital's investment policy does not further limit its investment choices. As of March 31, 2012, the Hospital's investment in U S Agencies were rated AAA by Moody's Investors Service and AAA by Standard & Poor's

Concentration of Credit Risk- The Hospital's investment policy does not limit the amount the Hospital may invest in any one issuer. More than 5 percent of the Hospital's investments are in Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and Federal National Mortgage Association. These investments are 15%, 16%, and 69% of total investments, respectively at March 31, 2012

5. Restricted Assets

The amounts reported as restricted assets are comprised of cash held by the trustee bank for debt service on behalf of the Hospital related to their required long term debt described in Note 8. In addition, internally designated funds for capital acquisitions are set aside under the control of the board of commissioners and may, at its discretion, later use these funds for other purposes.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

5 Restricted Assets (continued)

The restricted assets, which consist of cash and certificates of deposits and U S Agencies, as of March 31, are as follows

	<u>2012</u>	<u>2011</u>
Held by trustee for debt service		
Sinking fund	\$ 300,497	\$ 297,463
Reserve fund-rural development	87,044	63,831
Reserve fund-taxable	510,298	475,540
Contingency fund	217,606	159,674
Rural development transfer account	38,676	38,676
Internally designated for capital acquisitions	9,528,737	9,459,056
Total restricted assets	<u>\$ 10,682,858</u>	<u>\$ 10,494,240</u>

6 Capital Assets

Capital assets and depreciation activity for the year ended March 31, 2012 are as follows

	<u>Land</u>	<u>Construction in progress</u>	<u>Building and improvements</u>	<u>Equipment</u>	<u>Equipment under capital lease obligation</u>	<u>Total</u>
Cost of Capital Assets, 3/31/11	\$ 1,227,036	\$ 132,577	\$ 19,005,419	\$ 6,422,782	\$ 325,000	\$ 27,112,814
Additions	-	3,558,359	-	482,614	-	4,040,973
Deletions and transfer	-	-	-	(58,400)	-	(58,400)
Cost of Capital Assets, 3/31/12	<u>1,227,036</u>	<u>3,690,936</u>	<u>19,005,419</u>	<u>6,846,996</u>	<u>325,000</u>	<u>31,095,387</u>
Accumulated Depreciation, 3/31/11	-	-	2,655,839	4,126,552	154,434	6,936,825
Additions	-	-	899,987	670,145	65,000	1,635,132
Deletions	-	-	-	(58,400)	-	(58,400)
Accumulated Depreciation, 3/31/12	<u>-</u>	<u>-</u>	<u>3,555,826</u>	<u>4,738,297</u>	<u>219,434</u>	<u>8,513,557</u>
Capital Assets, net at 3/31/12	<u>\$ 1,227,036</u>	<u>\$ 3,690,936</u>	<u>\$ 15,449,593</u>	<u>\$ 2,108,699</u>	<u>\$ 105,566</u>	<u>\$ 22,581,830</u>

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

6 Capital Assets (continued)

Capital assets and depreciation activity for the year ended March 31, 2011 are as follows

	Land	Construction in progress	Building and improvements	Equipment	Equipment under capital lease obligation	Total
Cost of Capital Assets, 3/31/10	\$ 591,045	\$ 22,450	\$ 20,768,718	\$ 6,207,823	\$ 325,000	\$ 27,915,036
Additions	635,991	319,382	52,050	228,141	-	1,235,564
Deletions and transfer	-	(209,255)	(1,815,349)	(13,182)	-	(2,037,786)
Cost of Capital Assets, 3/31/11	1,227,036	132,577	19,005,419	6,422,782	325,000	27,112,814
Accumulated Depreciation, 3/31/10	-	-	3,736,550	3,426,027	89,434	7,252,011
Additions	-	-	966,396	713,707	65,000	1,745,103
Deletions	-	-	(2,047,107)	(13,182)	-	(2,060,289)
Accumulated Depreciation, 3/31/11	-	-	2,655,839	4,126,552	154,434	6,936,825
Capital Assets, net at 3/31/11	\$1,227,036	\$ 132,577	\$ 16,349,580	\$ 2,296,230	\$ 170,566	\$ 20,175,989

For the years ended March 31, 2012 and 2011, depreciation expense was \$1,635,132 and \$1,745,103, respectively.

7 Compensated absences

Compensated absences consist of the following.

	March 31, 2012	March 31, 2011
Balance at beginning of year	\$ 325,194	\$ 312,548
Increases	58,200	38,055
Decreases	(32,238)	(25,409)
Balance at end of year	\$ 351,156	\$ 325,194

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

8 Long-Term Debt

A schedule of changes in the Hospital's long-term debt for 2012 follows

	<u>Balance</u> <u>March 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2012</u>
Leases, Bonds, and				
Notes Payable:				
<i>Revenue bonds</i>				
Series 2008 R-1	\$ 7,388,934	\$ -	\$ (85,319)	\$ 7,303,615
Series 2008 R-2	1,364,372	-	(14,500)	1,349,872
Series 2008A	6,685,000	-	(86,000)	6,599,000
Series 2008B	752,000	-	(5,000)	747,000
Series 2008C	1,192,000	-	(37,000)	1,155,000
Series 2008D	135,000	-	(3,000)	132,000
Tax Certificate 2009	492,748	-	(160,046)	332,702
Tax Certificate 2011	-	2,500,000	(298,764)	2,201,236
<i>Capital Lease</i>				
<i>Obligation</i>	134,826	-	(68,495)	66,331
	<u>18,144,880</u>	<u>2,500,000</u>	<u>(758,124)</u>	<u>19,886,756</u>
Less current maturities	(459,313)			(778,403)
Total Long-term debt	<u>\$ 17,685,567</u>			<u>\$ 19,108,353</u>

On July 2, 2008, \$18,000,000 of Hospital Revenue Bonds was issued upon completion of a replacement (Critical Access) hospital, to provide permanent financing for the project. The following summarizes the issue:

Series 2008 R-1, bearing interest at 4 1/2%, payable monthly through 06/01/48	\$7,600,000
Series 2008 R-2, bearing interest at 4 5/8%, payable monthly through 06/01/48	1,400,000
Series 2008A, bearing interest at 6 1/8%, payable monthly through 06/01/38	6,840,000
Series 2008B, bearing interest at 9 7/8%, payable monthly through 06/01/38	760,000
Series 2008C, bearing interest at 5 9/16%, payable monthly through 06/01/28	1,260,000
Series 2008D, bearing interest at 9 4/16%, payable monthly through 06/01/28	140,000
	<u>\$18,000,000</u>

The bonds are collateralized by a pledge of the Hospital Service District's revenue, land, building and improvements and personal property thereon. Under the terms of the revenue note indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included in restricted cash and investments in the statements of net assets. The revenue note indenture also requires that the Hospital satisfy certain measures of financial performance as long as the notes are outstanding. These funds are maintained at the Trustee and require monthly funding by the Hospital Service District.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

8. Long-Term Debt (continued)

The terms and due dates of the Hospital's capital lease obligation consist of the following

Installment obligation incurred to purchase CT equipment payable in monthly payments of \$6,191, including interest at 5.59%, through March 2013

On March 24, 2009, the Hospital requested and was granted a resolution from the Parish of St. James giving preliminary approval to the issuance of \$800,000 of Limited Tax Certificates, Series 2009. The certificates were issued for the purpose of constructing and improving the Hospital building. Specifically the certificates were issued for a MRI room as well as purchasing the equipment to be placed in the MRI room.

On January 19, 2011, the Hospital requested and was granted a resolution from the Parish of St. James giving preliminary approval to the issuance of \$2,500,000 of Limited Tax Certificates, Series 2011. The certificates were issued for the purpose of constructing and improving the Hospital building.

Both Series 2009 and Series 2011 certificates are to be payable from the irrevocable pledge and dedication for the funds derived from levy and collection of 4.75 mills tax.

The following table reflects the maturity schedule of this obligation and the anticipated interest payments of the \$18,000,000 Hospital Revenue Bonds, Tax Certificates, and Capital Lease

	Revenue Bonds		Tax Certificates		Capital Lease Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
FYE March 31, 2013	\$ 242,072	\$ 911,780	\$ 470,000	\$ 93,895	\$ 66,331	\$ 1,871
FYE March 31, 2014	258,507	898,325	477,702	78,575	-	-
FYE March 31, 2015	273,130	883,962	510,000	61,275	-	-
FYE March 31, 2016	286,951	868,810	530,000	42,405	-	-
FYE March 31, 2017	304,977	825,750	546,236	22,000	-	-
FYE March 31, 2018-2022	1,820,110	3,984,367	-	-	-	-
FYE March 31, 2023-2027	2,432,126	3,398,738	-	-	-	-
FYE March 31, 2028-2032	2,858,792	2,637,916	-	-	-	-
FYE March 31, 2033-2037	3,516,865	1,768,218	-	-	-	-
FYE March 31, 2038-2042	2,739,149	787,241	-	-	-	-
FYE March 31, 2043-2047	1,982,962	337,598	-	-	-	-
FYE March 31, 2048-2052	570,846	16,237	-	-	-	-
	\$17,286,487	\$17,318,942	\$2,533,938	\$ 298,150	\$ 66,331	\$ 7,671

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

9. Pension Plan

Plan Description

The Hospital is a member of the Parochial Employees' Retirement System of Louisiana – Plan B. All full-time, permanent employees working at least 28 hours per week who are paid wholly or in part from the Hospital's funds are eligible to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, accessed via internet at www.persla.gov, or calling (225) 928-1361.

Funding policy

The Plan B fund is financed by employee contributions of 3% and 3% for 2012 and 2011, respectively, and employer contributions as determined by the Public Retirement Systems' Actuarial Committee. The Actuarial committee has determined that the employer contribution rate for 2012 and 2011 to be 10.00%. The actuarial cost method used for Plan B is the aggregate actuarial cost method with allocation based on earnings. The normal cost is interest adjusted for midyear payment. The ratio of assets to the pension benefit obligation in Plan B was 95% and 96% at December 31, 2012 and 2011 respectively.

Total pension expense was \$685,277, \$593,918 and \$379,035 for the years ended March 31, 2012, 2011, and 2010, respectively. All amounts expensed have been funded to the plan.

10. Risk Management

The Hospital is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees, and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) Hospital professional liability and comprehensive general liability, and (2) Statutory workers' compensation. The Hospital carries commercial insurance for all other risk of loss.

The trust funds for professional liability/comprehensive general liability and statutory workers compensation are pooling arrangements whereby there is a sharing of risk among the participants of the trust funds. The Hospital reports its premiums as insurance expenditures and expenses these premiums over the pro rata periods involved.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL

Lutcher, Louisiana

NOTES TO FINANCIAL STATEMENTS

11 Commitments and contingencies

Various lawsuits are pending against the Hospital. The Hospital's management believes the potential loss on lawsuits will not be material to the Hospital's basic financial statements.

12. St. James Home Care

The Hospital entered into a cooperative endeavor agreement with Louisiana Health Care Group to provide home health services as St. James Home Care through December 31, 2005. All amounts recorded, received and owed have been reflected in other operating revenues over the life of the agreement. The Hospital received monies in excess of the agreement and has reflected these overpayments as other liabilities. At March 31, 2012, the agreement amount was \$293,394.

13 Charity Care

The Hospital is an active and caring member of the community. Its mission of providing and improving medical care in the area as well as its participation in community activities is a long standing tradition of service provided to benefit the community.

The Hospital has served the community during the years ended March 31, 2012 and 2011, as follows.

	<u>2012</u>	<u>2011</u>
Care for the indigent		
Inpatient	\$ 103,580	\$ 389,707
Outpatient	132,245	70,435
Emergency room	551,811	193,304
Ambulance surgery	30,260	23,140
Observation	<u>131,718</u>	<u>100,776</u>
Total Charity Care	<u>\$ 949,614</u>	<u>\$ 777,362</u>

The amount reported as care the indigent represents billings for services provided based on the Hospital's charge rates to persons who cannot afford health care because of unavailable resources or who are uninsured. Total cost of charity care at March 31, 2011 was \$487,265.

14 Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, August 17, 2012, and determined that no events occurred that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

SUPPLEMENTAL SCHEDULES

MARCH 31, 2012 AND 2011

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana
SCHEDULES OF NET PATIENT REVENUES
YEARS ENDED MARCH 31, 2012 AND 2011

Schedule I

	<u>2012</u>	<u>2011</u>
PATIENT SERVICE REVENUES		
Room and nursing	\$ 1,698,510	\$ 1,700,645
Sleep study	329,521	422,217
Anesthesiology	425,732	223,359
Operating room	2,211,526	2,008,027
Emergency room	6,044,618	5,549,406
Respiratory therapy	1,015,069	1,151,441
Speech therapy	124,141	96,745
Occupational Therapy	449,896	385,154
Physical therapy	1,698,022	1,161,637
Central services and supply	1,287,235	1,315,993
Laboratory	5,057,907	5,165,648
Pharmacy	3,589,737	3,389,551
Radiology	1,805,548	1,836,279
Cardiology	416,194	371,612
Nuclear medicine	1,140,686	1,307,760
CT Scan	3,955,265	3,974,589
Wound Care	834,757	798,993
Ultrasound	741,026	664,614
Mammography	189,733	142,457
Lutcher Family Clinic	485,798	442,309
MRI	411,880	434,141
Other services	140,970	228,607
Total patient service revenues	<u>34,053,771</u>	<u>32,771,184</u>
Contractual adjustments and allowances	(11,664,142)	(12,048,781)
Provisions for bad debts	(3,045,309)	(3,288,309)
	<u>(14,709,451)</u>	<u>(15,337,090)</u>
Net patient service revenues	<u>\$ 19,344,320</u>	<u>\$ 17,434,094</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
St. James Parish Hospital Service District
Lutcher, Louisiana

We have audited the financial statements of the St. James Parish Hospital Service District, component unit of the St. James Parish Council, as of and for the year ended March 31, 2012, which collectively comprise the St. James Parish Hospital Service District's basic financial statements and have issued our report thereon dated August 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the St. James Parish Hospital Service District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered St. James Parish Hospital Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. James Parish Hospital Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. James Parish Hospital Service District's internal control over financial reporting.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. James Parish Hospital Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the board of commissioners, management, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Gonzales, Louisiana
August 17, 2012

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the St James Parish Hospital Service District of St James Parish, Louisiana as of and for the year ended March 31, 2012.
- 2 No significant deficiencies were reported during the audit of the financial statements
- 3 No instances of noncompliance material to the financial statements of St. James Parish Hospital Service District were reported in Part C of this Schedule

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None

C. COMPLIANCE WITH STATE LAWS AND REGULATIONS

None

ST. JAMES PARISH HOSPITAL SERVICE DISTRICT
A COMPONENT UNIT OF ST. JAMES PARISH COUNCIL
Lutcher, Louisiana

SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2012

A. INTERNAL CONTROL

None

B. COMPLIANCE WITH STATE LAWS AND REGULATIONS

None